

# Financial report

# 1 Income statement and appropriation of profit for 2008

In CHF millions

	Item no. in Notes	2008	2007	Change
Net result from gold	01	-698.8	6 446.8	-7 145.6
Net result from foreign currency investments	02	-4 375.2	1 338.2	-5 713.4
Net result from Swiss franc investments	03	550.8	427.1	+123.7
Net result from other assets	04	23.2	26.3	-3.1
<b>Gross income</b>		<b>-4 500.0</b>	<b>8 238.4</b>	<b>-12 738.6</b>
Banknote expenses		-33.6	-34.3	+0.7
Personnel expenses	05, 06	-107.9	-110.7	+2.8
General overheads	07	-53.8	-65.8	+12.0
Depreciation on tangible assets	17	-33.7	-32.0	-1.7
<b>Annual result</b>		<b>-4 729.1</b>	<b>7 995.5</b>	<b>-12 724.6</b>
Allocation to provisions for currency reserves		-1 006.9	-751.0	-255.9
<b>Distributable annual profit</b>		<b>-5 736.0</b>	<b>7 244.5</b>	<b>-12 980.5</b>
Released from (+)/allocated to (-) distribution reserve		+8 237.5	-4 743.0	+12 980.5
<b>Total profit distribution</b>		<b>2 501.5</b>	<b>2 501.5</b>	<b>-</b>
of which				
Payment of a dividend of 6%		1.5	1.5	-
Profit distribution to the Confederation and the cantons (in accordance with agreement of 14 March 2008)		2 500.0	2 500.0	-

## 2 Balance sheet as at 31 December 2008

In CHF millions

		31.12.2008	31.12.2007	Change
<b>Assets</b>	<b>Item no. in Notes</b>			
Gold	08	27 521.2	30 531.8	-3 010.6
Claims from gold transactions	09	3 340.4	4 243.7	-903.3
Foreign currency investments	10, 30	47 428.8	50 586.3	-3 157.5
Reserve position in the IMF	11	724.7	406.0	+318.7
International payment instruments	28	244.5	281.7	-37.2
Monetary assistance loans	12, 28	326.3	273.1	+53.2
Claims from US dollar repo transactions		11 670.9	4 517.4	+7 153.5
Balances from swap transactions against Swiss francs	13	50 421.4	-	+50 421.4
Claims from Swiss franc repo transactions	27	50 320.6	31 025.4	+19 295.2
Claims against domestic correspondents		11.1	11.0	+0.1
Swiss franc securities	14	3 596.7	4 130.7	-534.0
Loan to stabilisation fund	15, 29	15 248.0	-	+15 248.0
Banknote stocks	16	136.5	126.9	+9.6
Tangible assets	17	382.8	344.8	+38.0
Participations	18, 29	148.0	136.8	+11.2
Other assets	19, 31	2 800.6	311.3	+2 489.3
<b>Total assets</b>		<b>214 322.6</b>	<b>126 926.9</b>	<b>+87 395.7</b>

		31.12.2007	31.12.2006	Change
Liabilities	Item no. in Notes			
	Banknotes in circulation	20	49 160.8	44 258.6
Sight deposits of domestic banks		37 186.2	8 672.9	+28 513.3
Liabilities towards the Confederation	21	8 803.7	1 077.0	+7 726.7
Sight deposits of foreign banks and institutions		3 799.8	644.1	+3 155.7
Other sight liabilities	22	1 383.8	169.1	+1 214.7
Liabilities from Swiss franc repo transactions		–	615.0	–615.0
SNB debt certificates		24 424.9	–	+24 424.9
Other term liabilities		29 414.5	4 608.0	+24 806.5
Foreign currency liabilities	23	420.1	1 127.6	–707.5
Other liabilities	24, 31	1 279.8	72.5	+1 207.3
Provisions for operating risks	25	6.2	8.6	–2.4
Provisions for currency reserves		40 275.3	39 524.3	+751.0
Share capital	26	25.0	25.0	–
Distribution reserve <sup>1</sup>		22 871.7	18 128.7	+4 743.0
Annual result <sup>2</sup>		–4 729.1	7 995.5	–12 724.6
<b>Total liabilities</b>		<b>214 322.6</b>	<b>126 926.9</b>	<b>+87 395.7</b>

1 Prior to resolution of General Meeting of Shareholders on distribution of profit.

2 Before allocation to provisions for currency reserves.

### 3 Changes in equity capital

In CHF millions

	Share capital	Provisions for currency reserves
<b>Equity capital as at 1 January 2007</b>	<b>25.0</b>	<b>38 635.7</b>
Endowment of provisions for currency reserves pursuant to the NBA		888.6
Allocation to distribution reserve		
Distribution of dividends to shareholders		
Profit distribution to the Confederation and the cantons		
Annual result of year under review		
<b>Equity capital as at 31 December 2007 (before appropriation of profit)</b>	<b>25.0</b>	<b>39 524.3</b>
<b>Equity capital as at 1 January 2008</b>	<b>25.0</b>	<b>39 524.3</b>
Endowment of provisions for currency reserves pursuant to the NBA		751.0
Allocation to distribution reserve		
Distribution of dividends to shareholders		
Profit distribution to the Confederation and the cantons		
Annual result of year under review		
<b>Equity capital as at 31 December 2008 (before appropriation of profit)</b>	<b>25.0</b>	<b>40 275.3</b>
<b>Proposed appropriation of profit</b>		
Endowment of provisions for currency reserves pursuant to the NBA		1 006.9
Release from distribution reserve		
Distribution of dividends to shareholders		
Profit distribution to the Confederation and the cantons		
<b>Equity capital after appropriation of profit</b>	<b>25.0</b>	<b>41 282.2</b>

Distribution reserve	Annual result	Total
<b>16 473.4</b>	<b>5 045.3</b>	<b>60 179.5</b>
	-888.6	
1 655.2	-1 655.2	
	-1.5	-1.5
	-2 500.0	-2 500.0
	7 995.5	7 995.5
<b>18 128.7</b>	<b>7 995.5</b>	<b>65 673.5</b>
<b>18 128.7</b>	<b>7 995.5</b>	<b>65 673.5</b>
	-751.0	
4 743.0	-4 743.0	
	-1.5	-1.5
	-2 500.0	2 500.0
	-4 729.1	-4 729.1
<b>22 871.7</b>	<b>-4 729.1</b>	<b>58 442.9</b>
	-1 006.9	
-8 237.5	8 237.5	
	-1.5	-1.5
	-2 500.0	-2 500.0
<b>14 634.2</b>	<b>-</b>	<b>55 941.4</b>

## 4 Notes to the accounts as at 31 December 2008

### 4.1 Accounting and valuation principles

#### General

##### Basic principles

This year's financial report has been drawn up in accordance with the provisions of the National Bank Act (NBA) and the Swiss Code of Obligations (CO).

##### Changes from previous year

In autumn 2008, the Swiss National Bank (SNB) issued its own debt certificates (SNB Bills) to absorb liquidity. In addition, foreign exchange swap transactions were concluded with financial institutions and other central banks in order to supply the European markets with Swiss francs. These measures have given rise to new balance sheet items.

In October 2008, the SNB extended a loan in US dollars, pounds sterling and euros to the stabilisation fund to finance the acquisition of illiquid assets from UBS. This is stated separately in the accounts.

For the existing items, the accounting and valuation principles remained essentially unchanged from the previous year.

In previous years, the individual financial statement was compiled in accordance with Swiss GAAP FER accounting principles. Owing to the establishment of the special purpose vehicle, the National Bank is obliged to prepare consolidated financial statements (cf. pp. 166–178).

##### Recording of transactions

The SNB's business transactions are recorded and valued on the day the transaction is concluded (trade date accounting). However, they are only posted on the value date. Transactions concluded by the balance sheet date with a value date in the future are stated under off-balance-sheet transactions.

##### Accrual reporting

Expenses are recognised in the financial year in which they are incurred, and income in the financial year in which it is earned.

##### Profit tax

Pursuant to art. 8 NBA, the National Bank is exempt from profit taxes. Tax exemption applies both to direct federal taxes and to cantonal and municipal taxes.

##### Transactions with related parties

The rights of the National Bank's shareholders are restricted by law; for this reason, they cannot exert any influence on financial and operational decisions. Transactions with members of the executive management and the Bank Council are conducted at conditions that are customary in the banking sector.

##### Valuation

Gold and negotiable financial instruments are stated in the balance sheet at market value or fair value. Fair value reflects the price at which an asset could be exchanged or a liability settled between professional and independent parties. In a price-efficient and liquid market, fair value can be assessed on the basis of the relevant market price. If no such market exists, fair value will be determined on the basis of a valuation model.

Tangible assets are stated at their acquisition cost less required depreciation. Other items are stated at their nominal value inclusive of accrued interest. Foreign currency items are translated at year-end rates. Income and expenses in foreign currency are translated at the exchange rates applicable at the time when such income and expenses were posted to the accounts. All valuation changes are reported in the income statement.

### Foreign currency exchange rates and gold price

#### Valuation rates

	31.12.2008	31.12.2007	Change
	CHF	CHF	In percent
1 US dollar (USD)	1.0658	1.1277	-5.3
1 euro (EUR)	1.4895	1.6557	-10.2
1 pound sterling (GBP)	1.5595	2.2586	-31.0
100 Danish kroner (DKK)	19.9600	22.2000	-10.1
1 Canadian dollar (CAD)	0.8733	1.1445	-23.7
100 Japanese yen (JPY)	1.1734	1.0109	+15.8
1 Special Drawing Right (SDR)	1.6384	1.7820	-7.9
1 kilogram of gold	29 640.32	30 328.47	-2.3

### Balance sheet and income statement

Physical gold holdings consist of gold ingots and gold coins. The gold is stored at various locations in Switzerland and abroad. These holdings are stated at market value. Valuation gains and losses and sales proceeds are reported in *net result from gold*.

#### Gold holdings

In managing its investment portfolio, the National Bank lends a part of its gold holdings to first-class domestic and foreign financial institutions. The SNB receives interest on the gold loaned. Gold lending transactions are effected on a secured basis. The gold price risk remains with the National Bank. Gold loans are entered in the balance sheet under *claims from gold transactions* and stated at market value inclusive of accrued interest. The valuation result and interest are stated in *net result from gold*.

#### Claims from gold transactions

In *foreign currency investments*, negotiable securities (money market paper, bonds and equity securities) as well as credit balances (sight deposit accounts, call money, time deposits and repos) are recorded. Securities, which make up the bulk of the foreign currency investments, are stated at market value inclusive of accrued interest, while credit balances are stated at their nominal value inclusive of accrued interest. Gains and losses from revaluation at market value, interest earnings, dividends and exchange rate gains and losses are stated in *net result from foreign currency investments*.

#### Foreign currency investments



The management of foreign currency investments also includes securities lending transactions. Securities lent by the SNB from its own portfolio are secured by appropriate collateral. The SNB receives interest on the securities loaned. Loaned securities remain in the *foreign currency investments* item and are disclosed in the notes to the accounts. Interest income from securities lending is stated in *net result from foreign currency investments*.

Repos in foreign currency concluded for investment purposes are also reported in this balance sheet item.

#### **Reserve position in the IMF**

The reserve position in the International Monetary Fund (IMF) consists of the Swiss quota less the IMF's sight balances at the National Bank. The quota is Switzerland's portion of the IMF capital financed by the National Bank. It is denominated in Special Drawing Rights (SDRs), which are the IMF's currency. A part of the quota was not transferred to the IMF, but remained in a sight deposit account. The IMF can dispose of these assets at any time. The income from interest on the reserve position as well as the exchange rate gains and losses from revaluation of the SDRs are stated in *net result from foreign currency investments*.

#### **International payment instruments**

Claims from two-way arrangements with the IMF are stated in *international payment instruments*. The SNB has committed itself to purchase up to SDR 400 million against foreign currency. These sight deposits attract interest at market conditions. Interest earnings and exchange rate gains and losses are stated in *net result from foreign currency investments*.

#### **Monetary assistance loans**

In the context of international cooperation, Switzerland may participate in the IMF's internationally coordinated, medium-term balance of payments aid in the form of a credit tranche. Alternatively, it may grant bilateral monetary assistance loans to countries with balance of payments problems. Currently outstanding claims include those granted under the Poverty Reduction and Growth Facility (PRGF; including the interim PRGF). This is a fiduciary fund administered by the IMF which finances long-term loans at reduced interest rates to poor developing countries. The Confederation guarantees the interest and principal repayments both on the bilateral loans and on Switzerland's participation in the PRGF credit account (including the interim PRGF). These loans are stated at their nominal value inclusive of accrued interest. Interest earnings and exchange rate gains and losses are stated in *net result from foreign currency investments*. General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB), which are intended for special circumstances and are not guaranteed by the Confederation, have not been used. Therefore, they are only listed under irrevocable undertakings.

The repo transactions in US dollars reflected in this balance sheet item were concluded in concert with other central banks. They are fully backed by collateral eligible for SNB repos and are stated at their year-end nominal value inclusive of accrued interest.

**Claims from repo transactions in US dollars**

Since mid-October, the SNB has been providing the European Central Bank (ECB) with Swiss francs in exchange for euros on a hedged basis through its swap facility. The ECB then allocates the Swiss francs to its counterparties in the euro area through swap transactions. A similar agreement has been in operation with the Polish central bank since 17 November 2008. Moreover, the SNB also supplies Swiss francs directly to domestic and foreign banks in exchange for euros. The credit balances are stated at their nominal value inclusive of accrued interest. The accrued interest and exchange rate gains and losses are recorded in *net result from foreign currency investments*.

**Balances from swap transactions**

Repo transactions in Swiss francs, the National Bank's principal monetary policy instrument, are used to provide the banking system with liquidity or to withdraw liquidity from it. Claims from repo transactions are fully backed by securities eligible for SNB repos. Claims and liabilities from repo transactions are stated at their nominal value inclusive of accrued interest. Interest earnings and expenses are stated in *net result from Swiss franc investments*.

**Claims and liabilities from repo transactions in Swiss francs**

On behalf of the National Bank, domestic correspondents perform local cash redistribution transactions and cover the cash requirements of federal agencies and enterprises associated with the federal government (Swiss Post and Swiss Federal Railways). This results in short-term claims of the SNB which attract interest at the call money rate. These claims are stated at their nominal value inclusive of accrued interest. Interest earnings are stated in *net result from Swiss franc investments*.

**Claims against domestic correspondents**

Swiss franc securities are made up exclusively of negotiable bonds. They are stated at their market value inclusive of accrued interest. Valuation gains and losses and interest earnings are stated in *net result from Swiss franc investments*.

**Swiss franc securities**

As part of a package of measures aimed at strengthening the Swiss financial system, the SNB is granting the stabilisation fund a secured loan. The loan will be reduced by partial repayments. Its total life can be extended in two stages from eight to twelve years. The loan is stated at its nominal value including accrued interest less any value adjustments. The value adjustment is based on the difference between the loan's carrying amount (book value) and the estimated recoverable amount, with due account being taken of counterparty risk and the net proceeds from the realisation of any securities. Earnings components (interest income and currency translation effects) are stated in *net result from foreign currency investments*.

**Loan to stabilisation fund**

The loan is secured by stabilisation fund investments which largely comprise assets that are backed by US residential and commercial mortgages. The portfolio also includes other financial instruments that are backed by different types of assets from the US, Europe and Asia. In addition, the SNB has an option (warrant) to purchase 100 million shares at nominal value (CHF 0.10 per share) which it can exercise should the loan not be repaid in full.

**Banknote stocks**

Freshly printed banknotes which have not yet been put into circulation are capitalised at their acquisition cost and stated in *banknote stocks*. At the time a banknote first enters into circulation, its acquisition cost is charged to *banknote expenses*.

**Tangible assets**

Tangible assets comprise land and buildings, fixed assets under construction, and sundry tangible assets. Software is also included in tangible assets. For materiality reasons, software is not shown separately under intangible assets in the balance sheet, but is only disclosed in the notes to the accounts. Day-to-day maintenance expenses for real estate software and sundry tangible assets are stated in *general overheads*. Investment in buildings resulting in an increase in value are capitalised from an amount of CHF 100,000. For sundry tangible assets, the capitalisation threshold is CHF 20,000. Acquisitions below this amount are charged directly to general overheads. Tangible assets are stated at their acquisition cost less required depreciation. Depreciation is always carried out on a straight-line basis.

**Period of depreciation**

Land and buildings	
Land	No depreciation
Buildings (building structure)	50 years
Conversions (technical equipment and interior finishing work)	10 years
Fixed assets under construction	No depreciation
Software	3 years
Sundry tangible assets	3–12 years

The recoverable value of tangible assets is checked periodically. If this results in a decrease in value, an impairment loss is recorded. Scheduled and unscheduled depreciations are reported in the income statement under *depreciation on tangible assets*.

Profits and losses from the sale of tangible assets are stated in *net result from other assets*.

Minority interests in excess of 20% are qualified as an associated company and are valued according to the equity method. The remaining minority interests in companies in which the SNB exercises no material influence or majority interests are valued at acquisition cost less required value adjustments. Income from these participations is stated in *net results from other assets*.

**Participations**

The National Bank uses forward foreign exchange transactions, foreign exchange options, futures and interest rate swaps to manage its currency reserves. They are used to steer market positioning with regard to shares, interest rates and currencies (cf. also *Risks posed by financial instruments*, pp. 151 et seq.).

**Derivative financial instruments**

Derivative financial instruments also include the swaps with the US Federal Reserve that are stated in *other term liabilities* as well as the liability arising from the option granted to UBS to purchase equity interests in StabFund (GP) AG (GP purchase option) and the SNB's right to purchase 100 million UBS shares (warrant). Also included is the right to request the repurchase of the stabilisation fund in the case of a change of control at UBS (repurchase option).

Derivative financial instruments are stated at market value, whenever possible. If no market value is available, a fair value is established in accordance with generally recognised financial mathematical methods. Valuation changes are recorded in the income statement and stated in *net result from foreign currency investments*. Positive and/or negative replacement values are stated in *other assets* or *other liabilities*. The GP purchase option, the repurchase option and the warrant are stated at the lower of cost or market.

The SNB does not state accrued expenses and deferred income as separate positions in its balance sheet. For materiality reasons, they are reported in *other assets* or *other liabilities* and disclosed in the notes to the accounts.

**Accrued expenses and deferred income**

The *banknotes in circulation* item shows the nominal value of all the banknotes issued from the current series as well as from recalled, still exchangeable series.

**Banknotes in circulation**

Sight deposits of domestic banks in Swiss francs form the basis on which the SNB steers monetary policy. They also facilitate cashless payments in Switzerland. These sight deposits are non-interest-bearing accounts which are stated at their nominal value.

**Sight deposits of domestic banks**

**Liabilities towards the Confederation**

The National Bank holds a sight deposit account for the Confederation which bears interest at the call money rate. Interest is payable for amounts up to a maximum of CHF 200 million. Moreover, the Confederation may place time deposits with the SNB at market rates. The liabilities towards the Confederation are stated at their nominal value inclusive of accrued interest. Interest expenses are recorded in *net result from Swiss franc investments*.

**Sight deposits of foreign banks and institutions**

The SNB holds sight deposit accounts for foreign banks and institutions which facilitate payment transactions in Swiss francs. These sight deposits do not bear interest and are stated at their nominal value.

**Other sight liabilities**

Sight deposits of non-banks, accounts of active and retired staff members and of the SNB's pension funds as well as liabilities in the form of bank cheques drawn on the National Bank but not yet cashed are stated in *other sight liabilities*. They are stated at their nominal value inclusive of accrued interest. Interest expenses are posted under *net result from Swiss franc investments*.

**SNB debt certificates**

To absorb liquidity from the market, the National Bank issues its own debt certificates (SNB Bills). The frequency, term and amount of these issues are governed by the requirements of money market policy. The SNB Bills first issued in 2008 had a maximum term of one month. They are stated at their issue price plus accrued discount. Interest expenses are posted under *net result from Swiss franc investments*.

**Other term liabilities**

This balance sheet item contains additional term liabilities in Swiss francs which arose mainly from swap transactions with the US Federal Reserve. They are stated at their nominal value inclusive of accrued interest. Interest expenses are posted under *net result from Swiss franc investments*.

**Foreign currency liabilities**

Foreign currency liabilities comprise sight liabilities and repo transactions related to the management of foreign currency investments. They are stated at their nominal value inclusive of accrued interest. Interest expenses and exchange rate gains and losses are reported in *net result from foreign currency investments*.

**Provisions for operating risks**

For all present obligations resulting from past events, provisions are recognised in accordance with the principle of making valuations on a prudent basis. Provisions for operating risks comprise reorganisation provisions and other provisions. The reorganisation provisions include financial obligations to staff members who have taken early retirement as a result of reorganisation.

**Provisions for currency reserves**

Art. 30 para. 1 NBA stipulates that the National Bank set up provisions permitting it to maintain the currency reserves at a level necessary for monetary policy. In so doing, it must take into account economic developments in Switzerland. These special-law provisions are equity-like in nature and are incorporated in the table *Changes in equity capital*. The allocation is made as part of the profit appropriation.

With the exception of the dividend which – pursuant to the NBA – shall not exceed 6% of the share capital, the Confederation and the cantons are entitled to the National Bank's total remaining profit after adequate provisions for currency reserves have been set aside. To achieve a steady flow of payments in the medium term, the annual profit distributions are fixed in advance for a certain period in an agreement concluded between the Federal Department of Finance and the SNB. The distribution reserve contains profits that have not yet been distributed.

The SNB's pension plans comprise two staff pension fund schemes under the defined benefit system. Contributions are made by the National Bank and the employees. Ordinary employee contributions are 7% or 7.5% of the insured salary (depending on the employee's age) and those of the SNB are 14% or 15%. In accordance with Swiss GAAP FER 16, any share of actuarial surplus or deficit is shown on the asset side or reported as a liability.

The warrant for a maximum of 100 million UBS shares (currently 3.41% of total UBS equity) was not stated in the balance sheet. This warrant serves as a secondary loss protection and will expire once the SNB's loan to the stabilisation fund has been repaid in full. In the financial statement, the warrant offsets the shortfall in the loan granted to the stabilisation fund.

**Distribution reserve**

**Pension fund**

**Off-balance-sheet business**

## 4.2 Notes to the income statement and balance sheet

### Net result from gold

Breakdown by type In CHF millions	2008	2007	Change
Net result from changes in market value <sup>1</sup>	-711.4	6 433.3	-7 144.7
Interest income from gold lending transactions	12.6	13.5	-0.9
<b>Total</b>	<b>-698.8</b>	<b>6 446.8</b>	<b>-7 145.6</b>

**Item no. 01**

<sup>1</sup> Including valuation gains/losses from the sale of gold.

## Net result from foreign currency investments

1 Includes interest income (foreign currency investments) and interest expenses (foreign currency liabilities) from USD repo transactions. Overall, the transactions do not affect the SNB's net income.

Breakdown by origin In CHF millions	2008	2007	Change
Foreign currency investments <sup>1</sup>	-4 124.9	1 367.4	-5 492.3
Reserve position in the IMF	-36.6	-3.7	-32.9
International payment instruments	-6.2	1.0	-7.2
Monetary assistance loans	-14.5	4.9	-19.4
Foreign currency liabilities <sup>1</sup>	-357.5	-31.4	-326.1
Other foreign currency investments	164.4	-	+164.4
<b>Total</b>	<b>-4 375.2</b>	<b>1 338.2</b>	<b>-5 713.4</b>

Breakdown by type In CHF millions	2008	2007	Change
Interest income	2 269.8	1 773.8	+496.0
Price gain/loss on interest-bearing paper and instruments	1 163.4	239.9	+923.5
Interest expenses	-359.2	-31.4	-327.8
Dividend income	151.0	111.0	+40.0
Price gain/loss on equity securities and instruments	-2 928.5	-21.6	-2 906.9
Exchange rate gain/loss	-4 664.9	-723.0	-3 941.9
Asset management and safe custody account fees	-6.8	-10.6	+3.8
<b>Total</b>	<b>-4 375.2</b>	<b>1 338.2</b>	<b>-5 713.4</b>

Breakdown of overall result by currency In CHF millions	2008	2007	Change
USD	-168.0	-21.4	-146.6
EUR	-2 141.0	1 380.4	-3 521.4
GBP	-1 630.2	11.2	-1 641.4
DKK	-109.9	51.9	-161.8
CAD	-337.2	152.7	-489.9
JPY	75.3	-226.4	+301.7
SDR	-57.3	0.4	-57.7
Other	-6.9	-10.5	+3.6
<b>Total</b>	<b>-4 375.2</b>	<b>1 338.2</b>	<b>-5 713.4</b>

<b>Breakdown of exchange rate gain/loss by currency</b> In CHF millions	<b>2008</b>	<b>2007</b>	<b>Change</b>
USD	-406.0	-1 074.1	+668.1
EUR	-2 596.5	609.9	-3 206.4
GBP	-1 937.6	-269.0	-1 668.6
DKK	-117.3	35.1	-152.4
CAD	-290.7	91.4	-382.1
JPY	773.6	-83.3	+856.9
SDR	-90.4	-33.1	-57.3
Other	-0.1	0.0	-0.1
<b>Total</b>	<b>-4 664.9</b>	<b>-723.0</b>	<b>-3 941.9</b>

### Net result from Swiss franc investments

Item no. 03

<b>Breakdown by origin</b> In CHF millions	<b>2008</b>	<b>2007</b>	<b>Change</b>
Swiss franc securities	195.3	-8.7	+204.0
Swiss franc repo transactions	574.7	469.5	+105.2
SNB debt certificates	-17.8	-	-17.8
Other assets	0.1	0.1	+0.0
Liabilities towards the Confederation	-193.0	-26.8	-166.2
Other sight liabilities	-8.5	-6.9	-1.6
<b>Total</b>	<b>550.8</b>	<b>427.1</b>	<b>+123.7</b>

<b>Breakdown by type</b> In CHF millions	<b>2008</b>	<b>2007</b>	<b>Change</b>
Interest income	708.2	613.4	+94.8
Price gain/loss on interest-bearing paper and instruments	82.4	-147.2	+229.6
Interest expenses	-234.3	-36.1	-198.2
Trading and safe custody account fees	-5.4	-3.0	-2.4
<b>Total</b>	<b>550.8</b>	<b>427.1</b>	<b>+123.7</b>



**Item no. 04****Net result from other assets**

In CHF millions	2008	2007	Change
Commission income	13.9	14.4	-0.5
Commission expenses	-16.0	-14.0	-2.0
Income from participations	21.3	18.4	+2.9
Income from real estate	4.5	4.2	+0.3
Other income	-0.6	3.3 <sup>1</sup>	-3.8
<b>Total</b>	<b>23.2</b>	<b>26.3</b>	<b>-3.1</b>

<sup>1</sup> Includes book profit from the sale of the bank premises in Lugano.

**Item no. 05****Personnel expenses**

In CHF millions	2008	2007	Change
Wages, salaries and allowances	83.6	85.8	-2.2
Social insurance	18.1	17.7	+0.4
Other personnel expenses <sup>1</sup>	6.2	7.2	-1.0
<b>Total</b>	<b>107.9</b>	<b>110.7</b>	<b>-2.8</b>

<sup>1</sup> Figure for 2007 includes reorganisation costs of CHF 0.9 million (cf. item 25, p. 141).

## Remuneration for the Bank Council<sup>1</sup>

In CHF thousands	2008	2007	Change
Hansueli Raggenbass, President <sup>2, 3</sup>	130.0	132.5	-2.5
Jean Studer, Vice President (from 20 February 2008) <sup>2, 3</sup>	57.2	26.7	+30.5
Gerold Bührer (from 1 May 2008) <sup>2</sup>	26.7	-	+26.7
Ueli Forster (until 30 April 2008) <sup>2</sup>	13.3	40.0	-26.7
Rita Fuhrer (from 1 May 2008)	26.7	-	+26.7
Konrad Hummler <sup>5</sup>	47.5	45.0	+2.5
Armin Jans <sup>4</sup>	47.5	47.5	-
Daniel Lampart (from 1 May 2007) <sup>5</sup>	47.5	29.2	+18.3
Franz Marty <sup>4</sup>	47.5	47.5	-
Laura Sadis (from 1 July 2007)	40.0	20.0	+20.0
Fritz Studer <sup>4</sup>	47.5	47.5	-
Alexander Swoboda <sup>3, 5</sup>	45.0	45.0	-
Ruth Lüthi, Vice President (until 30 April 2007) <sup>2, 3</sup>	-	22.5	-22.5
Eveline Widmer-Schlumpf, Vice President (until 31 December 2007) <sup>2, 3</sup>	-	53.3	-53.3
Serge Gaillard (until 31 January 2007) <sup>5</sup>	-	3.3	-3.3
Marina Masoni (until 30 June 2007)	-	20.0	-20.0
<b>Total</b>	<b>576.4</b>	<b>580.0</b>	<b>-3.6</b>

1 In accordance with SNB regulations; participation in committee meetings not held on the same day as Bank Council meetings is compensated at a rate of CHF 2,500 per day. Special assignments are also compensated at a rate of CHF 2,500 per day or CHF 1,250 per half-day.  
2 Member of the Compensation Committee.  
3 Member of the Nomination Committee.  
4 Member of the Audit Committee.  
5 Member of the Risk Committee.

## Remuneration for Executive Management<sup>1</sup>

In CHF thousands	2008 Salaries	Miscellaneous <sup>2</sup>	Total remuneration	Employer contributions to pension plans and Old Age and Survivors' Insurance Fund	Total	2007 Total <sup>4</sup>	Change
Three members of the Governing Board	2 444.0	84.2	<b>2 528.2</b>	514.9	3 043.1	3 365.0	-321.9
Jean-Pierre Roth, Chairman <sup>3</sup>	814.7	28.9	<b>843.6</b>	221.0	1 064.6	845.0	+219.6
Philipp M. Hildebrand	814.7	27.7	<b>842.4</b>	147.0	989.4	766.6	+222.8
Thomas Jordan (from 1 May 2007)	814.7	27.7	<b>842.4</b>	147.0	989.4	905.8	+83.6
Niklaus Blattner (until 30 April 2007)	-	-	-	-	-	847.6	-847.6
Three alternate members of the Governing Board	1 100.2	57.8	<b>1 158.0</b>	326.2	1 484.2	1 409.4	+74.8
<b>Total</b>	<b>3 544.1</b>	<b>141.9</b>	<b>3 686.0</b>	<b>841.2</b>	<b>4 527.2</b>	<b>4 774.4</b>	<b>-247.2</b>

1 All remuneration is specified in SNB regulations; cf. also Corporate governance, pp. 103 et seq.

2 Lump-sum compensation for representation expenses and General Abonnement travel card.

3 In addition, remuneration in the amount of CHF 65,000 for serving as Chairman of the Board of Directors at BIS.

4 Including one-off pension plan buy-out.

Like all employees, members of executive management are entitled to preferential interest rates (up to a limited amount) on credit balances on SNB staff accounts and on mortgage loans granted by the pension fund schemes. No additional remuneration as defined in art. 663b<sup>bis</sup> para. 1 CO was paid. Of the members of the Bank Council and the Enlarged Governing Board, Philipp M. Hildebrand, Vice Chairman of the Governing Board, held five SNB shares, and Dewet Moser, Member of the Enlarged Governing Board, held one SNB share, both as of 31 December 2008.

## Item no. 06

Employee benefit obligations<sup>1</sup>

Share of actuarial surplus of pension plans <sup>2</sup> In CHF millions	31.12.2008	31.12.2007	Change
-----------------------------------------------------------------------------	------------	------------	--------

Overfunding in accordance with Swiss GAAP FER 26 <sup>2</sup>	64.3	140.8	-76.5
SNB's share of actuarial surplus	-	-	-

1 Pension funds do not have any employer contribution reserves.

2 Overfunding is used in favour of the insured. The stated overfunding was unaudited at the time of reporting

Employee benefit expenses In CHF millions	2008	2007	Change
----------------------------------------------	------	------	--------

Employer contributions	12.1	11.8	+0.3
Change in share of actuarial surplus	-	-	-

Employee benefit expenses as part of personnel expenses	12.1	11.8	+0.3
------------------------------------------------------------	------	------	------

## Item no. 07

## General overheads

In CHF millions	2008	2007	Change
-----------------	------	------	--------

Premises	8.2	10.3	-2.1
Maintenance of mobile tangible assets and software	10.1	10.8	-0.7
Consulting and other third-party support	11.4	14.8	-3.4
Administrative expenses	13.2	16.3	-3.1
Operating contributions <sup>1</sup>	5.3	7.7	-2.4
Other general overheads	5.4	5.9	-0.5
<b>Total</b>	<b>53.8</b>	<b>65.8</b>	<b>-12.0</b>

1 Mainly contributions towards the Study Center Gerzensee (an SNB foundation).

## Item no. 08

## Gold holdings

Breakdown by type	31.12.2008		31.12.2007	
	In tonnes	In CHF millions	In tonnes	In CHF millions

Gold ingots	889.5	26 364.2	915.1	27 753.0
Gold coins <sup>1</sup>	39.0	1 157.0	91.6	2 778.8
<b>Total<sup>2</sup></b>	<b>928.5</b>	<b>27 521.2</b>	<b>1 006.7</b>	<b>30 531.8</b>

1 Decline due to remelting of non-standard formats into ingots.

2 Total gold holdings also include lent gold shown under item no. 09.

## Claims from gold transactions

Item no. 09

	31.12.2008		31.12.2007	
	In tonnes	In CHF millions	In tonnes	In CHF millions
Claims from secured gold lending <sup>1</sup>	111.5	3 336.7	138.4	4 240.7
Claims on metal accounts	0.1	3.7	0.1	3.0
<b>Total</b>	<b>111.6</b>	<b>3 340.4</b>	<b>138.5</b>	<b>4 243.7</b>

<sup>1</sup> Secured by collateral eligible for repo transactions with a market value of CHF 3,473.0 million (2007: CHF 4,222.2 million).

## Foreign currency investments

Item no. 10

Breakdown by investment type In CHF millions	31.12.2008	31.12.2007	Change
Sight deposits and call money	286.9	628.2	-341.3
Time deposits	1 169.5	926.5	+243.0
Reverse repos	365.8	1 117.8	-752.0
Money market instruments	458.8	712.9	-254.1
Bonds <sup>1</sup>	39 586.7	41 547.9	-1 961.2
Equities	5 561.1	5 652.9	-91.8
<b>Total</b>	<b>47 428.8</b>	<b>50 586.3</b>	<b>-3 157.5</b>

<sup>1</sup> Of which CHF 52.0 million (2007: CHF 83.3 million) lent under securities lending operations.

Breakdown by borrower category In CHF millions	31.12.2008	31.12.2007	Change
Governments	33 827.2	33 672.7	+154.5
Monetary institutions <sup>1</sup>	1 676.7	987.9	+688.8
Corporations	11 924.9	15 925.7	-4 000.8
<b>Total</b>	<b>47 428.8</b>	<b>50 586.3</b>	<b>-3 157.5</b>

<sup>1</sup> BIS, central banks and multilateral development banks.

Breakdown by currency <sup>1</sup> In CHF millions	31.12.2008	31.12.2007	Change
USD	13 853.9	15 608.6	-1 754.7
EUR	23 422.0	23 047.6	+374.4
GBP	4 524.5	5 989.9	-1 465.4
DKK	0.2	1 276.1	-1 275.9
CAD	1 069.3	1 166.4	-97.1
JPY	4 558.3	3 497.0	+1 061.3
Other	0.4	0.7	-0.3
<b>Total</b>	<b>47 428.8</b>	<b>50 586.3</b>	<b>-3 157.5</b>

<sup>1</sup> Excluding foreign exchange derivatives. For a breakdown of the balance sheet by currency including foreign exchange derivatives, cf. p. 152.

**Item no. 11****Reserve position in the IMF**

In CHF millions	31.12.2008	31.12.2007	Change
Swiss quota in the IMF <sup>1</sup>	5 666.4	6 162.9	-496.5
Less: IMF's Swiss franc sight balances at the SNB	-4 941.6	-5 756.9	+815.3
<b>Total</b>	<b>724.7</b>	<b>406.0</b>	<b>+318.7</b>

<sup>1</sup> SDR 3,458.5 million;  
change due entirely to  
exchange rates.

**Item no. 12****Monetary assistance loans**

In CHF millions	31.12.2008	31.12.2007	Change
PRGF loan facility	27.8	45.4	-17.6
Interim PRGF loan facility <sup>1</sup>	298.4	227.7	+70.7
<b>Total</b>	<b>326.3</b>	<b>273.1</b>	<b>+53.1</b>

<sup>1</sup> For undrawn loan  
commitments, cf. item  
no. 28, p. 143.

**Item no. 13****Balances from swap transactions against Swiss francs**

Breakdown by counterparty category	31.12.2008		31.12.2007	Change
	EUR	CHF	CHF	
In millions				
Central banks	18 817.5	28 028.7	-	+28 028.7
Commercial banks	14 986.0	22 321.6	-	+22 321.6
Accrued interest	-	71.1	-	+71.1
<b>Total</b>	<b>33 803.5</b>	<b>50 421.4</b>	<b>-</b>	<b>+50 421.4</b>

## Swiss franc securities

Item no. 14

Breakdown by borrower category In CHF millions	31.12.2008	31.12.2007	Change
Governments	1 636.3	2 016.1	-379.8
Corporations	1 960.5	2 114.5	-154.0
<b>Total</b>	<b>3 596.7</b>	<b>4 130.7</b>	<b>-534.0</b>

Breakdown of the <i>Governments</i> borrower category In CHF millions	31.12.2008	31.12.2007	Change
Swiss Confederation	1 085.4	1 220.4	-135.0
Cantons and municipalities	365.0	608.6	-243.6
Foreign states	185.9	187.1	-1.2
<b>Total</b>	<b>1 636.3</b>	<b>2 016.1</b>	<b>-379.8</b>

Breakdown of the <i>Corporations</i> borrower category In CHF millions	31.12.2008	31.12.2007	Change
Domestic mortgage bond institutions	407.7	491.1	-83.4
Other domestic corporations <sup>1</sup>	51.4	68.4	-17.0
Foreign corporations <sup>2</sup>	1 501.4	1 555.1	-53.7
<b>Total</b>	<b>1 960.5</b>	<b>2 114.5</b>	<b>-154.0</b>

1 International organisations headquartered in Switzerland.  
2 Banks, international organisations and other corporations.

## Loan to stabilisation fund

Item no. 15

In CHF millions	31.12.2008	31.12.2007	Change
Short-term receivables	1.1	-	+1.1
Loan in USD <sup>1</sup>	12 828.4	-	+12 828.4
Loan in EUR <sup>1</sup>	918.2	-	+918.2
Loan in GBP <sup>1</sup>	1 500.3	-	+1 500.3
<b>Total</b>	<b>15 248.0</b>	<b>-</b>	<b>+15 248.0</b>

1 Interest charged at the one-month Libor plus 250 basis points.

The financing of the loan was secured through a foreign exchange swap in US dollars and forward transactions for euros and pounds sterling. The SNB's currency reserves were not affected.

## Item no. 16

## Banknote stocks

In CHF millions

Banknote stocks

Position on 1 January 2007	125.0
Additions	31.8
Disposals	-29.9
Position on 31 December 2007	126.9
Position on 1 January 2008	126.9
Additions	40.8
Disposals	-31.2
Position on 31 December 2008 <sup>1</sup>	136.5

1 Of which CHF 35.0 million in advance payments.

## Item no. 17

## Tangible assets

In CHF millions	Land and buildings <sup>1</sup>	Fixed assets under construction	Software	Sundry tangible assets <sup>2</sup>	Total
<b>Historical cost</b>					
1 January 2008	441.0	0.0	23.0	61.5	525.4
Additions <sup>3</sup>	57.2		10.5	4.0	71.7
Disposals			8.2	3.9	12.1
Reclassified	0.0	0.0	0.0	0.0	
31 December 2008	498.2		25.3	61.6	585.1
<b>Cumulative value adjustments</b>					
1 January 2008	128.8		10.5	41.3	180.6
Scheduled depreciation	18.9		7.7	7.2	33.7
Disposals			8.2	3.9	12.0
Reclassified			0.0	0.0	
31 December 2008	147.7		9.9	44.7	202.3
<b>Net book values</b>					
1 January 2008	312.2	0.0	12.5	20.1	344.8
31 December 2008	350.5		15.4	16.9	382.8

1 Insured value: CHF 407.2 million (2007: CHF 358.2 million).

2 Insured value: CHF 54.5 million; not comparable with 2007 (CHF 83.3 million) due to new insurance policy.

3 Land and buildings, including purchase of property at Seefeldstrasse 8/ Seehofstrasse 15 in Zurich.

## Participations

Item no. 18

In CHF millions	Orell Füssli <sup>1</sup>	BIS <sup>2</sup>	Other	Total
Equity participation	33%	3%		
Book value on 1 January 2007	38.7	90.2	0.6	129.6
Investments	-	-	-	-
Divestments	-	-	-	-
Valuation changes	7.2	-	-	7.2
Book value on 31 December 2007	46.0	90.2	0.6	136.8
Book value on 1 January 2008	46.0	90.2	0.6	136.8
Investments <sup>3</sup>	-	-	0.8	0.8
Divestments	-	-	-	-
Valuation changes	11.0	-	-0.6	10.4
Book value on 31 December 2008	57.0	90.2	0.8	148.0

1 Orell Füssli Holding Ltd, whose subsidiary Orell Füssli Security Printing Ltd produces Switzerland's banknotes.  
2 The interest in the Bank for International Settlements (BIS) is held for reasons of monetary policy collaboration.  
3 Interests in StabFund (GP) AG and LiPro (LP) AG, each with a share capital of CHF 0.1 million. StabFund (GP) AG received UBS's option premium from the SNB as equity contribution. This contribution was used up by year-end.

## Other assets

Item no. 19

In CHF millions	31.12.2008	31.12.2007	Change
Coins <sup>1</sup>	112.3	144.3	-32.0
Foreign banknotes	1.0	1.0	+0.0
Other accounts receivable	11.5	12.1	-0.6
Prepayments and accrued income	4.5	3.3	+1.2
Cheques and bills of exchange (collection business)	0.0	0.8	-0.8
Positive replacement values <sup>2</sup>	2 671.2	149.8	+2 521.4
Total	2 800.6	311.3	+2 489.3

1 Commemorative coins acquired from Swissmint destined for circulation.  
2 Unrealised gains on financial instruments and on outstanding spot transactions (cf. item no. 31, p. 146).



**Item no. 20****Banknotes in circulation**

Breakdown by issue In CHF millions	31.12.2008	31.12.2007	Change
8 <sup>th</sup> issue	47 731.6	42 751.5	+4 980.1
6 <sup>th</sup> issue <sup>1</sup>	1 429.2	1 507.1	-77.9
<b>Total</b>	<b>49 160.8</b>	<b>44 258.6</b>	<b>+4 902.2</b>

<sup>1</sup> Exchangeable at the SNB until 30 April 2020.

**Item no. 21****Liabilities towards the Confederation**

In CHF millions	31.12.2008	31.12.2007	Change
Sight liabilities	1 484.7	74.9	+1 409.8
Term liabilities	7 319.0	1 002.1	+6 316.9
<b>Total</b>	<b>8 803.7</b>	<b>1 077.0</b>	<b>+7 726.7</b>

**Item no. 22****Other sight liabilities**

In CHF millions	31.12.2008	31.12.2007	Change
Sight deposits of non-banks	1 186.8	11.4	+1 175.4
Deposit accounts <sup>1</sup>	196.9	157.7	+39.2
Cheque liabilities <sup>2</sup>	0.1	0.1	+0.0
<b>Total</b>	<b>1 383.8</b>	<b>169.1</b>	<b>+1 214.7</b>

<sup>1</sup> These mainly comprise accounts of active and retired employees, and liabilities towards the SNB pension schemes. Current account liabilities towards the latter amounted to CHF 43.7 million as at 31 December 2008 (2007: CHF 15.5 million).

<sup>2</sup> Bank cheques drawn on the SNB but not yet cashed.

**Item no. 23****Foreign currency liabilities**

In CHF millions	31.12.2008	31.12.2007	Change
Sight liabilities	1.7	3.2	-1.5
Liabilities from repo transactions <sup>1</sup>	365.7	1 117.7	-752.0
Other foreign currency liabilities	52.6	6.6	+46.0
<b>Total</b>	<b>420.1</b>	<b>1 127.6</b>	<b>-707.5</b>

<sup>1</sup> Relating to the management of foreign currency investments.

## Other liabilities

Item no. 24

In CHF millions	31.12.2008	31.12.2007	Change
Other liabilities	8.1	6.3	+1.8
Accrued liabilities and deferred income	8.4	6.6	+1.8
Negative replacement values <sup>1</sup>	1 263.2	59.6	+1 203.6
<b>Total</b>	<b>1 279.8</b>	<b>72.5</b>	<b>+1 207.3</b>

<sup>1</sup> Unrealised losses on financial instruments and on outstanding spot transactions (cf. item no. 31, p. 146).

## Provisions for operating risks

Item no. 25

In CHF millions	Provisions due to reorganisation	Other provisions	Total
Book value on 1 January 2007	10.2	0.9	11.1
Formation	0.8	0.2	1.0
Release	-3.5	-	-3.5
Write-back	0.0	-	0.0
Book value on 31 December 2007	7.6	1.0	8.6
Book value on 1 January 2008	7.6	1.0	8.6
Formation	-	-	-
Release	-2.4	-	-2.4
Write-back	-0.1	-	-0.1
Book value on 31 December 2008	5.2	1.0	6.2

## Share capital

Item no. 26

### Shares

	2008	2007
Share capital in CHF	25 000 000	25 000 000
Nominal value in CHF	250	250
Number of shares	100 000	100 000
Symbol/ISIN <sup>1</sup>	SNBN/CH0001319265	
Closing price on 31 December in CHF	1 025	1 400
Market capitalisation in CHF	102 500 000	140 000 000
Annual high in CHF	1 425	1 520
Annual low in CHF	941	1 260
Average daily trading volume in number of shares	20	26

<sup>1</sup> Listed in the main segment of SIX Swiss Exchange.

## Breakdown of share ownership

	Number of shares	In percentage of shares registered
<b>2,188 private shareholders with a total of</b>	<b>34 029</b>	<b>38.4<sup>1</sup></b>
of which 1,882 shareholders with 1–10 shares each		
of which 273 shareholders with 11–100 shares each		
of which 11 shareholders with 101–200 shares each <sup>2</sup>		
of which 22 shareholders with over 200 shares each <sup>2</sup>		
<b>79 public sector shareholders with a total of</b>	<b>54 520</b>	<b>61.6</b>
of which 26 cantons with a total of	38 981	
of which 24 cantonal banks with a total of	14 473	
of which 29 other public authorities and institutions with a total of	1 066	
<b>Total 2,267 registered shareholders with a total of<sup>3</sup></b>	<b>88 549<sup>4</sup></b>	<b>100</b>
Registration applications pending or outstanding for	11 451	
<b>Total shares</b>	<b>100 000</b>	

<sup>1</sup> 15.8% are legal entities and 22.6% private individuals. Private shareholders account for 23.6% of voting rights.

<sup>2</sup> Voting rights are limited to 100 shares.

<sup>3</sup> In 2008, the number of shareholders rose by 8; the number of registered shares by 2,622.

<sup>4</sup> A total of 4,974 shares are in foreign ownership.

## Principal shareholders

	31.12.2008		31.12.2007	
	Number of shares	Equity participation	Number of shares	Equity participation
Canton of Berne	6 630	6.63%	6 630	6.63%
Canton of Zurich	5 200	5.20%	5 200	5.20%
Theo Siegert, Düsseldorf	4 850	4.80%	–	–
Canton of Vaud	3 401	3.40%	3 401	3.40%
Canton of St Gallen	3 002	3.00%	3 002	3.00%

## 4.3 Notes regarding off-balance-sheet business

### Liquidity-shortage financing facility

Item no. 27

The liquidity-shortage financing facility is a credit limit for banks to bridge unexpected short-term liquidity bottlenecks. Liquidity can be drawn by way of special-rate repo transactions (200 basis points above the call money rate). The maximum amounts that can be drawn are stated.

In CHF millions	31.12.2008	31.12.2007	Change
Credit undertaking <sup>1</sup>	34 486.5	33 696.5	+790
of which drawn down	0.0	0.0	-
of which not drawn down	34 486.5	33 696.5	+790

<sup>1</sup> Increase due to extension of credit lines.

### Irrevocable undertakings

Item no. 28

Irrevocable undertakings include credit arrangements that the SNB has granted to the International Monetary Fund (IMF) in the context of international cooperation. The maximum liabilities arising from these are stated.

Overview: Undrawn credit lines provided to the IMF In CHF millions	31.12.2008	31.12.2007	Change
International payment instruments (two-way arrangement)	411.4	433.2	-21.8
Interim PRGF	112.1	217.8	-105.7
General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB)	2 523.1	2 744.2	-221.1
<b>Total</b>	<b>3 046.6</b>	<b>3 395.1</b>	<b>-348.5</b>

Overview in detail: International payment instruments (two-way arrangement <sup>1</sup> ) In CHF millions	31.12.2008	31.12.2007	Change
Credit undertaking <sup>2</sup>	655.3	712.8	-57.5
of which drawn down	244.0	279.6	-35.6
of which not drawn down	411.4	433.2	-21.8

<sup>1</sup> Undertaking to purchase SDRs against currency up to SDR 400 million or to return the SDRs in exchange for currency, without federal guarantee (cf. p. 124).  
<sup>2</sup> Change due entirely to exchange rates.

Overview in detail: Interim PRGF <sup>1</sup> In CHF millions	31.12.2008	31.12.2007	Change
Credit undertaking <sup>2</sup>	409.6	445.5	-35.9
of which drawn down	297.5	227.7	+69.8
of which not yet drawn down	112.1	217.8	-105.7
1 Limited-term credit undertaking to the IMF's trust fund amounting to SDR 250 million (cf. item no. 12, p. 136),	with federally guaranteed repayment of principal and payment of interest.	2 Change due entirely to exchange rates.	

1 Credit lines totalling SDR 1,540 million (of which a maximum of SDR 1,020 million in the context of the GAB) in favour of the IMF for special cases, without a federal guarantee (cf. accountability report, chapter 7.1).  
2 Change due entirely to exchange rates.

Overview in detail: General Arrangements to Borrow (GAB) and New Arrangements to Borrow (NAB) <sup>1</sup> In CHF millions	31.12.2008	31.12.2007	Change
Credit undertaking <sup>2</sup>	2 523.1	2 744.2	-221.1
of which drawn down	-	-	
of which not drawn down	2 523.1	2 744.2	-221.1

#### Item no. 29

### Other obligations not carried on the balance sheet

In CHF millions	31.12.2008	31.12.2007	Change
Additional funding BIS <sup>1</sup>	105.8	115.1	-9.3
Liabilities from long-term rental, maintenance and leasing contracts	9.4	10.0	-0.6
Loan commitment to stabilisation fund <sup>2</sup>	42 279.9	-	+42 279.9
Subordination agreement in favour of stabilisation fund and StabFund (GP) AG <sup>3</sup>	106.6	-	+106.6
Total	42 501.7	125.0	+42 376.7

1 The BIS shares are 25% paid up. The additional funding obligation is stated in SDRs.  
2 When the package of measures was announced in mid-October 2008, the loan commitment amounted to a maximum of USD 54 billion. Of this amount, USD 14.3 billion was transferred in December 2008. The loan

commitment as at 31 December 2008 therefore came to USD 39.7 billion (CHF 42.3 billion). On 10 February 2009, it was announced that the commitment will be reduced to roughly USD 35 billion overall. The outstanding loan commitment is therefore currently approximately USD 21 billion.

3 Owing to the balance sheet loss of the stabilisation fund, the National Bank issued a subordination agreement in favour of the stabilisation fund and StabFund (GP) AG to the amount of USD 100 million (CHF 106.6 million).

## Loan and loan commitments to stabilisation fund

	In USD billions			In CHF billions		
	SNB 90%	UBS 10%	Total in USD	SNB 90%	UBS 10%	Total in CHF
<b>Original amounts<sup>1</sup></b>						
1 <sup>st</sup> tranche	14.3 <sup>2</sup>	1.6	16.4	15.3	1.7	17.5
2 <sup>nd</sup> tranche	39.7	4.4	43.6	42.3	4.6	46.9
Total	54.0	6.0	60.0	57.6	6.3	64.4
<b>Revised amounts<sup>3</sup></b>						
1 <sup>st</sup> tranche	14.3 <sup>2</sup>	1.6	16.4	15.3	1.7	17.5
2 <sup>nd</sup> tranche	20.8	2.3	22.7	22.3	2.4	24.3
Total	35.1	4.0	39.1	37.6	4.1	41.8

1 Maximum loan commitment as announced on 16 October 2008; the value of the portfolio at that time came to USD 57.2 billion.

2 The first tranche was transferred on 16 December 2008. The interest payments received by UBS up until this date as well as the reduction in the

purchase price were offset, thereby reducing the loan.  
3 Renegotiated in February 2009 (cf. *Events after balance sheet date*, p. 111).

## Assets pledged or assigned as collateral for SNB liabilities

Item no. 30

In CHF millions	31.12.2008	Liabilities or amount drawn down	31.12.2007	Liabilities or amount drawn down
	Book value		Book value	
Foreign currency investments in USD	388.3	365.7	22.6	–
Foreign currency investments in EUR	301.5	–	155.5	–
Foreign currency investments in GBP	–	–	1 119.5	1 117.7
Securities in CHF	161.7	–	657.6	615.0
Total <sup>1</sup>	851.4	365.7	1 955.1	1 732.7

1 Collateral lodged in connection with repo and futures transactions.

Outstanding derivative financial instruments<sup>1</sup>

In CHF millions	31.12.2008	Replacement value		31.12.2007	Replacement value	
	Contract value	Positive	Negative	Contract value	Positive	Negative
<b>Interest rate instruments</b>	<b>17 467.6</b>	<b>43.7</b>	<b>26.1</b>	<b>21 749.7</b>	<b>41.1</b>	<b>38.5</b>
Repo transactions in CHF <sup>2</sup>	8 349.0	-	-	15 802.0	-	-
Repo transactions in USD <sup>2</sup>	2 142.3	23.5	-	-	-	-
Forward contracts <sup>1</sup>	10.3	0.0	0.1	1 122.5	4.2	2.8
Interest rate swaps	385.1	19.8	25.9	2 251.8	36.5	34.9
Futures	6 580.9	0.3	0.1	2 573.4	0.5	0.8
<b>Foreign exchange</b>	<b>83 654.0</b>	<b>2 627.0</b>	<b>1 236.5</b>	<b>2 905.7</b>	<b>108.3</b>	<b>21.0</b>
Forward contracts <sup>1</sup>	83 218.0	2 627.0	1 231.2	2 885.7	108.3	20.9
Options	436.0	-	5.3	19.9	-	0.1
<b>Precious metals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31.7</b>	<b>0.0</b>	<b>0.0</b>
Forward contracts <sup>3</sup>	-	-	-	31.7	0.0	0.0
<b>Equities/indices</b>	<b>226.2</b>	<b>0.5</b>	<b>0.0</b>	<b>353.7</b>	<b>0.3</b>	<b>0.1</b>
Forward contracts <sup>1</sup>	2.3	0.1	0.0	3.1	0.1	0.0
Futures	223.9	0.5	0.0	350.6	0.3	0.1
<b>Stabilisation fund options</b>	<b>15 258.9</b>	<b>-</b>	<b>0.6</b>	<b>-</b>	<b>-</b>	<b>-</b>
Warrant <sup>4</sup>	10.0	-	-	-	-	-
GP purchase option <sup>5</sup>	0.7	-	0.6	-	-	-
Repurchase option <sup>6</sup>	15 248.2	-	-	-	-	-
<b>Total<sup>7</sup></b>	<b>116 606.7</b>	<b>2 671.2</b>	<b>1 263.2</b>	<b>25 040.8</b>	<b>149.8</b>	<b>59.6</b>

1 Including spot transactions with value date in the new year and forward contracts to finance the loan to the stabilisation fund.

2 Only repo transactions with value date in the new year.

3 From spot sales with value date in the new year.

4 The warrant represents the SNB's right to purchase 100 million UBS shares at a nominal value of CHF 0.10

should the loan not be repaid in full.

5 The SNB granted UBS the option to take over the share capital of StabFund (GP) AG, thereby purchasing two shares in the SNB StabFund Limited Partnership for Collective Investment.

6 The SNB has the right to request the repurchase of the stabilisation fund in the case of a change of control

at UBS. The contract value represents the portion of the loan that was paid to the fund by 31 December 2008 plus the equity of both partner companies, StabFund (GP) AG and LiPro (LP) AG.

7 For the open contracts, the counterpart item to the replacement values is stated directly in the income statement.

Fiduciary transactions encompass investments which the SNB makes in its own name but, on the basis of a written contract, exclusively for the account of and at the risk of the Confederation. The transactions are stated at their nominal value inclusive of accrued interest.

In CHF millions	31.12.2008	31.12.2007	Change
Fiduciary investments of the Confederation	262.3	521.7	-259.4

## 4.4 Internal control system

### General

The internal control system (ICS) covers all the structures and processes which contribute to fulfilling the Swiss National Bank's (SNB) statutory mandate pursuant to art. 5 of the National Bank Act and the objectives derived from them and ensure the orderly conduct of operations.

The SNB's structure and organisation are defined by law and in regulations (cf. *Cross reference tables*, p. 105).

Strategic planning is oriented to the SNB's statutory mandate and the tasks arising from it. The strategy is approved by the Governing Board.

As part of the annual strategy process, changes in the environment and their effects on the National Bank's operations and regulations are analysed. The planning and budgeting processes conducted after the analysis phase assist in the operational management and combine the various elements of strategy, planning and budgeting. On this basis, project and staffing plans are prepared, along with the budgets for operating costs and investments. These planning results are approved by the Enlarged Governing Board, while the budget is authorised by the Bank Council.

The Enlarged Governing Board issues internal directives, the Charter and the Code of Conduct and decides on organisational matters that are of significance to multiple departments. The Board of Deputies monitors and steers daily operations.

The departments and organisational units define their structures and procedures so as to ensure that their tasks can be carried out efficiently and their statutory mandate fulfilled. With the help of appropriate control and governance processes, they monitor the achievement of objectives and the management of operational risk.

**Aim and purpose**

**Control environment**

**Control activities**



## Information and communication

The departments and organisational units ensure that reporting is both appropriate and timely. To this end, they define communication channels which, as a rule, are supported by IT tools.

All regulations can be viewed on the SNB intranet and are thus available to all employees.

## Supervision

The department heads ensure proper implementation of the ICS and regularly determine its status at the organisational units reporting to them.

The Bank Council's Audit Committee supports the Council in supervising financial accounting and financial reporting as well as compliance with laws and regulations. It assesses the appropriateness and effectiveness of the ICS and supervises the activities of the external and internal auditors.

The Internal Auditors unit is responsible for auditing the National Bank's business activities. This unit is accountable to the President of the Bank Council, and reports regularly on its results pertaining to the accounting system, financial reporting, the ICS and compliance.

### **ICS pursuant to art. 728a para. 1 (3) of Swiss Code of Obligations (CO)**

## Features

In addition to the general ICS measures, the National Bank also has a broad range of control mechanisms at its disposal for the prevention or early identification of errors in financial reporting (accounting procedures, bookkeeping). This ensures that the SNB's financial position is correctly reported. The various controls performed for this purpose together make up the 'ICS for processes of relevance to the financial statements', which is managed by Central Accounting.

The components of this ICS are documented in accordance with a uniform template. All of the key monitoring steps are set out in the documentation. The control process managers at the SNB's various organisational units confirm in writing that the measures set out in the documentation are effective and operational. They must state reasons for any defects or deviations. The documentation is used by Central Accounting as a control instrument when the unit is preparing financial statements.

The Internal Auditors unit takes the ICS documentation into account when conducting its regular audits. It makes spot checks to ascertain whether the planned controls have been performed. The confirmations issued by the control process managers and the remarks of the Internal Auditors are communicated to the Enlarged Governing Board and the Audit Committee of the Bank Council once a year, and, among other things, are used by the external auditors as a basis for their confirmation in accordance with art. 728a para. 1 (3) CO.

## 4.5 Risk management

### General

In fulfilling its statutory mandate, the SNB incurs various financial risks. It makes a distinction between market, credit, liquidity and country risks. In addition, it is exposed to operational risk.

**Risks incurred by  
the National Bank**

### Risk management and control pursuant to art. 663b (12) CO

The Bank Council oversees and monitors the conduct of business by the National Bank. In this role, it is responsible for assessing risk management and for approving the related processes. The business agenda is prepared by two committees of the Bank Council: The Risk Committee and the Audit Committee monitor the management of financial and operational risks. The annual report on financial risk was approved by the Bank Council at its meeting of 29 February 2008. At its meeting of 27 June 2008 the Bank Council was informed by the chairman of the Audit Committee on the status and development of the ICS and about the management and status of operational risk. Furthermore, at meetings held in October and December (by the Bank Council) and in November (by the Council's Risk Committee and Audit Committee), the government's measures taken to strengthen the Swiss financial system and the attendant additional risks these entail for the National Bank were discussed in detail. For further details about the Bank Council and its committees, cf. Corporate governance (p. 102).

**Oversight**

The Governing Board approves the strategic guidelines for the investment of the assets. In doing so, it determines the framework for financial risks.

**Risk strategy**

The Enlarged Governing Board has strategic responsibility for the management of operational risk. It defines risk policies and organisation, verifying both on a yearly basis. Furthermore, it determines risk tolerances and benchmarks for identifying, managing and monitoring risk.

The investment strategy is reviewed each year by the Governing Board. Department III is responsible for its implementation.

**Organisation with regard  
to financial risk**

The financial risks are continuously monitored by the Risk Management organisational unit. Each quarter, the Governing Board is informed about investment activities and risk control. The detailed risk reports are discussed by the Risk Committee of the Bank Council. Details of the investment and risk control process may be found in chapter 5.2 of the accountability report.

The OpRisk Committee, which is made up of the Board of Deputies, is responsible for management and control of operational risk. It prepares the strategic guidelines and reports to the Enlarged Governing Board and ensures that the guidelines are applied throughout the bank.

An OpRisk Specialist Committee made up of the managers of various line sections assists the Enlarged Governing Board and the OpRisk Committee in defining the strategy and implementing the measures related to operational risk. The Audit Committee discusses the detailed annual report on the management of operational risk.

The department heads ensure implementation of the guidelines on operational risk in their organisational units and monitor compliance with them. As a general principle, the organisational units evaluate and control the risks in their own operational area themselves.

Legal Services monitors the regulatory and legal environment affecting the National Bank's operations. It assesses the legal admissibility of central bank transactions on behalf of the Governing Board and Enlarged Governing Board. Legal Services coordinates the compliance functions and provides an in-house advisory service for matters pertaining to money laundering. In this role it also supports and advises the line managers and executive management. Legal Services is represented in the OpRisk Specialist Committee.

The table below provides an overview of the risk management organisation.

### Organisation of risk management

	Oversight	Strategy	Implementation	
Financial risks	Risk Committee of Bank Council, Bank Council	Governing Board	Management of Department III	Risk Management unit
Operational risk	Audit Committee of Bank Council, Bank Council	Enlarged Governing Board	Board of Deputies	Line sections OpRisk Specialist Committee

## Risks posed by financial instruments

According to the SNB's statutory mandate, asset management is governed by the primacy of monetary policy and is carried out according to the criteria of security, liquidity and return. When implementing its monetary and investment policies, the SNB enters into a variety of financial risks, with its risk profile being determined by the risk on investments. Owing to the financial crisis, the range and volume of the National Bank's portfolio of investments was expanded in 2008. The illiquid UBS assets taken over into the stabilisation fund were of significance from the point of view of risk (for information on the risk of these assets, cf. p. 164). The increased holdings of claims from Swiss franc and US dollar repo transactions, however, were practically without risk. The swap transactions against euros for supplying additional Swiss franc liquidity were also associated with only low levels of risk which, moreover, were well hedged.

The National Bank uses a multiple-stage investment and risk control process to manage and limit its risks. This process is overseen by the Bank Council or, as the case may be, by the Council's Risk Committee. The Governing Board approves the strategic guidelines. Compliance with these guidelines is monitored on a daily basis. The Governing Board and the Bank Council's Risk Committee receive quarterly reports informing them about investment activities and the associated risks. A detailed description of the risk control process may be found in chapter 5.2 of the accountability report (p. 66).

The main risk to investments is market risk, i.e. risks related to the gold price, exchange rates, share prices and interest rates. Market risk is managed primarily through diversification.

The National Bank holds the major part of its currency reserves in the form of foreign currency and gold, thereby ensuring that it has room for manoeuvre in its monetary policy at all times. The risk of exchange rate fluctuations is not hedged. Accordingly, forward foreign exchange transactions and foreign exchange options are not used to hedge the currency risk against Swiss franc, but to achieve strategic or tactical positioning in the investment currencies. Owing to their marked fluctuations, the gold price and exchange rates are the principal risk factors for the investments.

**Financial risks incurred by the National Bank**

**Risk control process**

**Market risk**

**Gold and foreign currency risk**

## Interest rate risk

Interest rate risk is of less significance to the National Bank's investments than gold and foreign currency risk. Movements in market interest rates affect the market value of fixed-income financial investments. The longer the maturity of a fixed-income investment, the higher its interest risk. Interest rate risk is limited through the specification of benchmarks and management guidelines. Various means, including the use of derivative instruments, such as interest rate swaps and futures, are used to manage these risks. The effect of interest rate fluctuations is calculated with a measure referred to as the 'price value of one basis point' (PVBP), which shows the impact on valuation of a simultaneous rise of one basis point (0.01 percentage points) in the yield curves for all investment currencies. If the PVBP is positive, a loss is recorded. Duration is a measure of the average capital utilisation time, and thus is another indicator of interest rate risk. Duration increases in step with the residual maturity of the investments, and falls in step with rising coupon rates. The longer the duration, the greater the price losses when interest rates rise.

### Balance sheet by currency

In CHF millions	CHF	Gold	USD	EUR	Other	Total
Gold		27 521				27 521
Claims from gold transactions		3 308	32			3 340
Foreign currency investments			13 854	23 422	10 153	47 429
Reserve position in the IMF					725	725
International payment instruments					245	245
Monetary assistance loans					326	326
Claims from US dollar repo transactions			11 671			11 671
Credit balances form foreign exchange swaps				50 421		50 421
Claims from Swiss franc repo transactions	50 321					50 321
Securities in Swiss francs	3 597					3 597
Loan to stabilisation fund	1		12 829	918	1 500	15 248
Other	850		2 595	1	33	3 479
Total assets as per balance sheet	54 768	30 829	40 981	74 763	12 982	214 323
Total liabilities as per balance sheet	-212 665		-455	-1 202	-0	-214 323
Foreign exchange derivatives (net) <sup>1</sup>	80 689		-26 577	-51 266	-1 497	1 348
Net exposure on 31 December 2008	-77 209	30 829	13 949	22 295	11 485	1 348
Net exposure on 31 December 2007	-85 283	34 733	14 142	23 048	13 446	86

<sup>1</sup> Delivery claims and delivery obligations from spot and forward foreign exchange transactions. The derivatives positions in US dollars and euros mainly reflect USD/CHF swaps with the US Federal Reserve as well as EUR/CHF swaps with European central banks and commercial banks.

## Interest-bearing investments

Position as at 31 December	2008			2007 <sup>3</sup>		
	Duration	Market value	PVBP <sup>1</sup>	Duration	Market value	PVBP <sup>1</sup>
	In years	In CHF millions	In CHF millions	In years	In CHF millions	In CHF millions
Gold lending		3 340			4 241	
Investments in CHF <sup>2</sup>	4.9	3 597	2	5.0	4 131	2
Investments in USD	4.2	12 303	5	4.1	14 188	6
Investments in EUR	4.0	21 448	9	3.9	21 266	8
Investments in other currencies	4.0	8 117	3	4.3	9 479	4

1 Change in market value per basis point of parallel shift in the yield curve.  
2 Excluding repos.  
3 Different basis for calculation than in 2007 Annual Report.

Investments in shares are made in order to optimise the risk/return profile. A passive equity investment is used, with replication of broad-based indices.

Risk is managed and limited by a system of reference portfolios, guidelines and limits. All relevant financial risks on investments are identified, assessed and monitored continuously. Risk measurement is based on standard risk indicators and procedures. In addition to these procedures, sensitivity analyses and stress tests are carried out on a regular basis. The National Bank's comparatively long-term investment horizon is taken into account in all of these risk analyses.

Credit risk results from the possibility that counterparties or other issuers of securities will fail to meet their obligations. The National Bank incurs credit risk through its investments in securities and through over-the-counter business (OTC) with banks. Credit risk in OTC business originates from short-term investments, from derivatives contracts (the amounts at risk are the replacement values) and from gold lending. In addition, there are credit risks due to commitments to the International Monetary Fund (IMF) that are not guaranteed by the Confederation.

The SNB controls its credit risk with respect to counterparties by means of a system of limits that restricts the aggregated exposure for all types of business. An above-average rating is required for counterparties, and the vast majority are rated AA or similar. Also, certain transactions are secured by collateral. At the end of 2008, the National Bank's total unsecured exposure with respect to the international banking sector amounted to some CHF 2.9 billion (2007: CHF 2.6 billion). For borrowers in the bond market, a minimum rating of 'investment grade' is required. The rating allocation for investments is shown in the accountability report (p. 72). In 2008, credit risks were an insignificant part of the total risk.

**Share price risk**

**Total market risk**

**Default risks: Credit risk of regular financial instruments**

**Default risks: Credit risk  
from stabilisation fund**

Furthermore, a credit risk is inherent in the loan to the stabilisation fund. This risk here is that the fund's assets serving as collateral could depreciate to such an extent that the SNB loan is longer covered at 100%.

Additional information on the stabilisation fund may be found in chapter 6.2 of the accountability report (from p. 77).

**... and country risk**

Country risk arises from the possibility that a country may hinder payments by borrowers domiciled in its sovereign territory or block the right to dispose of assets held there. In order to avoid entering into any unbalanced country risks, the SNB endeavours to distribute assets among a number of different depositories and countries.

**Liquidity risk**

The National Bank's liquidity risk relates to the danger that, should investments in foreign currencies need to be sold, such sales could be effected only partially or after considerable price concessions. The restricted marketability of the investments may be due to technical or market disruptions, or to regulatory changes. Owing to the financial crisis, many financial investments could at times only be traded to a limited extent in 2008. These included some of the investments in the National Bank's portfolios, such as corporate bonds or covered bonds. By holding a large number of liquid government bonds in the major currencies – EUR and USD – the SNB ensures a high level of liquidity for its foreign currency reserves. Even during the financial crisis, the liquidity of government bonds denominated in US dollars and of German and French government bonds denominated in euros was maintained. Liquidity risk is reassessed periodically.

### **Operational risk**

**Types of risk**

The National Bank considers the following to be an operational risk: the risk of damage to employees, financial damage or reputational damage as a result of inadequate internal processes, incorrect reporting, disregard of regulations, misconduct by staff members, technical failures or the impact of external events.

Each year, the OpRisk Specialist Committee summarises operational risk and discloses it in a detailed annual report on the management of operational risk. If required, measures are prepared together with the responsible organisational units and their implementation verified.

## 5 Report of the Audit Board for the General Meeting of Shareholders

As statutory auditor, we have audited the financial statements of the Swiss National Bank, which comprise the balance sheet, income statement and notes (pp. 116–154), for the year ended 31 December 2008.

The Bank Council is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Bank Council is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Bank Council's responsibility**

**Auditor's responsibility**



**Opinion**

In our opinion, the financial statements for the year ended 31 December 2008 comply with the provisions of the Federal Act on the Swiss National Bank and the Swiss law.

**Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO, article 47 NBA and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Bank Council.

We further confirm that the proposed appropriation of available earnings complies with the provisions of the Federal Act on the Swiss National Bank and the Swiss law. We recommend that the financial statements submitted to you be approved.

**PricewaterhouseCoopers Ltd**

**Thomas Romer**  
Audit expert  
Auditor in charge

**Christian Massetti**  
Audit expert

Zurich, 27 February 2009